

USAID/Bangladesh

Annual Report

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Bangladesh

Performance:

Country Context: After three decades of assistance, Bangladesh is an unfinished picture of solid development achievements, critical challenges that could jeopardize its development along the path of democracy and free-markets, and opportunities to be seized which hold the keys to its future success.

One of only a few moderate, democratic Muslim nations, Bangladesh has progressed significantly over the past decade. It has achieved self-sufficiency in rice production, eradicated polio, increased girls' school enrollment, lowered infant and child mortality rates, and its annual GDP growth has averaged about 5% for ten years. This vigorous economic growth coupled with increased GOB investment in education, health, food security, and disaster mitigation has led to a 1% reduction each year in the number of Bangladeshis living in poverty. Bangladesh is no longer the hopeless case that it seemed to be 30 years ago. However, it remains among the world's least-developed countries with nearly half of its 130 million people living below the national poverty line of \$1 per day. Moreover, Bangladesh is perceived as the most corrupt of any country in the world, only 40% of adults (30% of women) are literate, 24% of the rural population has access to electricity, approximately 3 million Bangladeshi children do not attend school, only 40% of mothers receive any antenatal care and most births take place without a trained attendant. It is in the U.S. interest to help build Bangladesh's fragile democratic institutions, expand its market economy and improve the lives of its people because the failure to do so would have serious repercussions for Bangladesh's neighbors and destabilize a volatile region.

USAID's strategy addresses the following U.S. national interests: democracy and human rights, economic prosperity, and national security. Our strategy supports the following aspects of the joint USAID-State Department Strategic Plan: promoting democracy and economic freedom in the Muslim world; reducing the threat of famine; and advancing sustainable development. USAID supports overall U.S. Mission goals in Bangladesh by improving health, education, economic development, and environment and minimizing the costs of natural disasters. USAID works closely with the U.S. Treasury in assisting with Central Bank reforms, particularly banking supervision. USAID supports the U.S. Geological Survey's arsenic research. We support U.S. commercial and trade interests through the Global Trade and Technology Network and coordination with the U.S. Trade and Development Agency. We cooperate with the U.S. Department of Energy on energy reform and efficiency, most recently through its Clean Cities Initiative. We work closely with the U.S. Department of Agriculture on local currency programs and agricultural research. And USAID has been instrumental in the U.S. Mission's outreach effort through significant involvement in America Week, and our journalist tours and imam training initiatives.

Over the years, Bangladesh's development partners have devised elaborate coordination mechanisms, including nearly 30 Local Consultative Groups. USAID participates in most of these and plays a leading role in donor coordination in the health, private sector development, food security, energy and democracy sectors, thus ensuring that USAID assistance is well-planned to address unmet needs in areas of USAID's strengths that complement other donor efforts and provide optimal leveraging of USG resources. The USAID program also targets key GOB interests laid out in its IPRSP and Millennium Challenge Goals--particularly in economic growth, poverty reduction and education.

The USAID Program in Bangladesh: USAID's strategic goal for Bangladesh is to reduce poverty through sustainable economic growth. Through assistance to agribusiness and small enterprise in targeted sectors, we devote modest resources to help stimulate economic growth, providing jobs and income that help reduce poverty. Direct beneficiaries include: rural households, micro-, small and medium-sized private firms in target sectors; agribusinesses, including those in the shrimp industry; and key providers of private sector support services. USAID investments in energy, environment, health and education also

support economic growth by contributing to efficient and affordable energy, sustainable well-managed natural resources and a healthy and educated population necessary for economic progress. Assistance to promote energy sector reform and improved efficiency and rural electrification benefits rural communities gaining access to electricity for household and farming use, energy sector entities and professionals who receive training, and power consumers throughout Bangladesh who benefit from improved system efficiency. Beneficiaries of USAID's assistance to improve the management of imperiled natural resources include, target communities of poor fisherfolk and forest resource users whose lives depend upon natural resources and surrounding communities also dependent on these resources. Assistance to reduce fertility and improve family health benefits more than 20 million people (mostly women and children) who are served by the NGO Service Delivery Program, millions of customers who purchase family planning commodities and oral re-hydration salts, a growing number of men and women seeking voluntary surgical contraception, and members of high-risk groups who receive information and services that decrease their risk of HIV infection. USAID's new effort to improve the performance at early childhood and primary education is designed primarily to benefit Bangladeshi children, particularly the disadvantaged. Our assistance to improve food security for vulnerable groups and mitigate the effects of disaster helps the most vulnerable rural and urban poor, especially children and women. Of increasing importance is USAID's support to strengthen democratic institutions and improve governance by building demand for policy reform in the areas of local governance, parliamentary and political processes, and human rights. Progress in democracy and governance will largely determine Bangladesh's prospects for success in all other sectors. Direct beneficiaries include a range of the country's citizens, local communities and their elected leaders, women and children who are actual or potential victims of trafficking, violence and human rights abuses, garment workers, and journalists.

Achievements and Challenges:

Democracy and Governance: USAID/Bangladesh's model anti-trafficking program continued to produce excellent results. One USAID-supported network of anti-trafficking NGOs-Action against Trafficking and Sexual Exploitation of Children-provided nearly 500 imams with training on anti-trafficking issues in Dhaka, Chittagong, Khulna and Cox's Bazar. The Imams are building up awareness by talking about human trafficking following congregational prayers on Fridays and at community religious gatherings. The Ministry of Women and Children's Affairs is also using the USAID-supported Model Trafficking Prevention Campaign package. More traffickers are being prosecuted and convicted. Assistance to help elected local government bodies to organize works with 300 local councils representing a population of more than five million and has produced a newly formed District Network of Union Parishads. A Municipal Association of Bangladesh (MAB) whose membership includes 85% of the mayors from 281 municipalities has also been established this year.

In other areas, performance was mixed and a number of significant challenges remain. Political power and economic resources in Bangladesh are highly centralized, leaving limited opportunity for local government. Restrictions on civil society and the press have increased. At the national level, acrimony between political parties has worsened and the opposition continued to boycott Parliament. The Parliament's role as a deliberative and effective lawmaking body has further eroded and line ministries take the lead in drafting legislation at the direction of the political elite. Law and order continues to deteriorate as criminal gangs, often with political connections, use violence and intimidation to gain control of resources and police violate human rights with increasing impunity. For the third year in a row, Bangladesh was ranked as the most corrupt country of 102 countries in Transparency International's annual corruption perceptions survey. Political will to improve governance is lacking and thence the Government is unable to tackle the hardest reforms necessary for the country to move forward.

USAID is working closely with the GOB and the Asian Development Bank on the proposed Independent Anti-Corruption Commission to help the GOB move forward on reducing corruption. Our efforts continue to emphasize civil society's role in increasing demand for improved governance and necessary reforms. While working largely outside of government, USAID's program circumvents government inefficiencies, delays, and corruption that detracts from results and present challenges to other development partners who work with the GOB. At the same time, USAID remains very much engaged in policy dialogue and supportive of GOB priorities. Working in the Bangladesh context, USAID's strategic approach highlights

the inevitable tension between producing more direct and immediate results versus a concentration on sustainability that would require considerably more resources and a much longer term perspective. We continue to seek ways to support dynamic networks of actors to cooperate together to produce lasting developmental impact while maintaining a constructive relationship with the GOB that encourages reform and improved governance.

Economic Growth and Trade: By concentrating on agribusiness, and individual firms in other targeted sectors, USAID's assistance to strengthen private enterprise, expand markets, increase sales and diversify exports has produced remarkable results. The total value of financial resources raised by USAID-assisted enterprises from all sources in FY 2003 is estimated at \$14.82 million, exceeding both the \$5.6 million target and FY 2002 performance of \$5.63 million. Total annual sales of USAID-assisted enterprises that are attributable to USAID partners' interventions reached an estimated \$65.35 million in 2003, exceeding the target value of \$55 million. Domestic sales accounted for \$50.27 million of this year's total (versus \$44.45 million in FY 2002); exports in FY 2003 (\$15.08 million) showed significant growth over FY 2002 levels (\$9.70 million). Focusing on Bangladesh's second largest export industry, USAID has created the Shrimp Seal of Quality (SSOQ), a quality assurance program for the total value chain of shrimp that assists hatcheries, farms, depots, processors and exporters in meeting international standards. This year, the SSOQ was endorsed at the highest level of the GOB, and the first harvest of pilot extension farmers' ponds demonstrated a more than 9-fold increase in yield with 100% virus-free production.

A substantial proportion of our work to promote the growth of agribusiness and small businesses is devoted to building the capacity of Bangladeshi enterprises to be active participants in international trade, since there is a great potential to expand exports. In anticipation of the expiration of the Multi-Fiber Agreement (2004), which will end special protective status for the textile industry, USAID is helping to promote non-traditional exports and diversification among Bangladeshi enterprises. USAID's small business development project achieved successes in identifying a number of promising new sectors with export potential. The sub-sector based development approach has produced results in developing export markets for non-traditional products from Bangladesh. Through the Global Trade and Technology Network, USAID is continuing its support to encourage local firms to establish business relationships with potential trade and investment partners in the United States and other countries.

Bangladesh's sustained economic growth over the past ten years has been largely the result of strong exports from the ready-made garment industry (RMG). The Multifiber Agreement (MFA) helped launch Bangladesh's garment industry in the 1980s by guaranteeing duty-free access to apparel markets in the U.S. and Europe. The RMG sector supplies nearly 75% of the country's hard-currency earnings and employs half the country's industrial work force, as many as 1.5 million workers--most of whom are women. While the GOB is much concerned about the expiration of the MFA at the end of 2004, RMG firms have already prepared for it by consolidating and diversifying local operations, and, in some cases, moving operations to China. Some experts predict that total employment losses will reach 50% of the RMG workforce. While USAID clearly does not have the level of resources to take on the RMG sector, our strategy focuses on export growth and diversification, including the expansion of several new industries, such as leather goods, footwear and personal protective equipment, that rely upon a similarly skilled workforce, a higher percentage of local inputs, and may offer opportunities for RMG enterprises to readily convert operations.

Clean Energy: Substantial progress has been made over the years in rural electrification. The number of electrical connections in rural areas continues to increase significantly, and the total number of in-country legal power connections increased from 6.31 million in FY 2002 to 7.20 million in FY 2003. The past year has seen some momentum in overall energy performance with modest reductions in power sector losses and increases in gas sector production. However, despite additional "unbundling" over the past year, the generation, transmission, and distribution of power and natural gas remain dominated by integrated public utilities that are susceptible to government intervention. Political will is lacking to take on a sector marked by inefficiency in all aspects of operations, inadequate funding for operations and maintenance, insufficient investment in new facilities, low levels of commercialization, and a general lack of financial discipline with excessive government intervention; under these circumstance there is little incentive for

efficiency-enhancing and more environmentally-friendly investments. Furthermore, the enormous economic promise of Bangladesh's still largely untapped natural gas potential and the significant gains in sector performance that could be realized through policy reform and restructuring are as yet unrealized. A much expanded and more efficient energy sector is a necessity for Bangladesh's sustained economic growth and social development. USAID is poised to provide key assistance to develop the newly established Energy Regulatory Commission, a keystone of a restructured energy sector that could contribute appreciably to improved transparency, accountability and governance in this vital sector.

Environment and Natural Resources: The first phase of USAID's community co-management of open water resources has concluded with a valuation study in one of the wetland sites which revealed that the co-management approach not only ensured the wetland ecosystem's preservation and people's access to the ecosystem's resources but also increased the ecosystem's productivity. Best practices from this activity have already been replicated by 143 organizations and programs all over the country. USAID has developed 42 community-based management organizations including 16 wetland resource management organizations (RMOs) that lead community resource planning and management and are helping to "self-regulate" unsustainable fishing practices. This year all community education targets were surpassed, and outreach efforts in schools and fishing communities provided practical information and methodologies to conserve dwindling natural resources. In a major breakthrough, public wetlands normally leased and exploited by elites have been turned over to the community in perpetuity to be managed through community efforts as permanent fish sanctuaries for the first time ever in Bangladesh. Based upon this successful approach, USAID extended assistance to conserve tropical forest resources beginning in FY 2003.

Food Security and Disaster: This year, Bangladesh had moderate floods during the late monsoon in the Ganges basin. No external assistance was sought due to the increased flood-management capacity of the GOB. USAID can claim credit, in part, for this increased management capacity. Of concern, however, is the GOB's new policy that would minimize Food for Work activities, and replace them with Cash for Work. This new approach is contrary to recent DCHA/FFP policy that seeks to increase the direct distribution of food while simultaneously decreasing overall program reliance on monetization. The Mission is monitoring this issue to determine how differences in approaches to food aid could affect USAID's strategy options and activities.

Population and Health: USAID's successful NGO Service Delivery Program (NSDP) that supports 41 partner NGOs, increased overall customer contacts by seven percent to reach 22.9 million customers in FY 2003. Partner NGOs have begun to contribute significantly to their operating costs from earned income and future plans will guide practices leading to long-term sustainability. The NSDP is viewed as a model by many donors who are frustrated by lack of progress despite hundreds of millions of dollars in assistance to government health services through a sector-wide approach.

Several important challenges remain to reduce the population growth rate including, surmounting the fertility plateau of the recent decade and more substantially increasing contraceptive prevalence. USAID-supported research is helping to uncover some of the contributing factors. Despite considerable attention by other donors, nutrition and children's health are ongoing concern as is the prospects for an HIV/AIDS crisis. Although the HIV/AIDS infection rate remains low in the general population, in certain high-risk groups the threshold of infection is rapidly being reached and there is a danger that a full-blown epidemic could emerge in the near future. Corruption and government inefficiencies are additional, major challenges for all donors who are committed to improving the health of Bangladesh's people. With the massive sector-wide program currently in jeopardy, the Ministry of Health and Family Welfare is in a turbulent period of transition as it returns to a structure of parallel but separate Directorates of Health and of Family Planning which is causing disarray and slowing progress in vital programs.

Education: USAID's new initiative to improve early learning has yielded solid results. Over the past year, 72 home-based preschools (serving 1,479 children) have been established; community-managed, school-based "Learning Camps" that operate after school hours, have been set up in 87 schools; a successful pilot, "Reading Buddy" program that pairs fourth or fifth graders with first or second graders, has 3,191 children reading and learning together; and a total of 1,428 mothers and 451 fathers are participating in a

parental advocacy program that helps them to better understand parental roles in helping their children to learn. A process of easy learning of Bangla language by indigenous children has been created and 15,383 children in underserved areas are now being reached in 180 schools in tribal areas. Assessments of early childhood development and of students and teachers' use of time have been conducted to inform future interventions.

While these successes pale against the volume of children that lack adequate educational opportunities and the scale of the systemic reforms required to improve Bangladesh's primary education system, USAID is also preparing a unique mass-media approach that will be scaled up for nation-wide impact. In FY2003, initial steps were taken to develop a Bangladesh Sesame Street children's television program.

Outreach: USAID/Bangladesh is in the forefront of Muslim outreach, with a program that works with religious leaders to influence a broad spectrum of the Bangladeshi society. We have exposed local imams (religious clerics) to the values of social and economic development, and in many instances they have taken charge of promoting these activities in their areas. Journalists are taken to see first hand and are reporting on the efforts of local entities implementing a variety of development activities, and university law students volunteer to visit high schools lecturing on individuals' rights under the Bangladeshi constitution. These programs have been widely viewed as a successful approach to finding strategic partners among Islamic religious leaders, and other countries are looking to replicate this effort.

Title II activities: USAID/Bangladesh's P.L. 480 Title II resources comprise nearly half of the \$4.3 billion in bilateral assistance that the US has provided to Bangladesh since 1971, and food aid resources continue to fully support the strategic objective on Improved Food Security for Vulnerable Groups (SO 8) and performance is tracked and reported under SO 8. Title II activities in Bangladesh are fully-integrated into our Food Security and Disaster Management Strategic Objective, and, in fact, present a unique model for the Agency. The program has been successful, and food security is increasingly a function of income rather than availability. The current programming cycle of one of our partners will end this year and new proposals for the period covering 2005 through 2009 are expected in early CY 2004.

Conflict: Along with the U.S. Mission, USAID monitors political, economic and social developments that could impact our strategy, including the potential for increased conflict and violence. In particular, we are concerned about the deteriorating law and order situation in this highly politicized context where criminal gangs with political connections compete for control of local resources, corruption is rife in the police force and where judicial independence is yet to become a reality. In addition to "Operation Clean Heart," in which the GOB called out the military for three months in early FY 2003 to restore law and order, ethnic conflict in the Chittagong Hill Tracts has worsened in the early months of FY 2004. Our work in human rights and training for investigative journalists provides us with useful information. However, the Mission is making plans to conduct a Conflict Vulnerability Assessment towards the end of this strategic planning period.

Gender: A number of developments have occurred this year to help integrate and mainstream gender into the Mission's programs and operations. The Mission is hosting an IWID fellow from January 2003 through June 2004 and this has resulted in the creation of a new gender team and the provided the stimulus for a Mission-wide gender audit that will serve as a reference point for specific recommendations and actions. Each SO and office now includes one or two gender representatives with enhanced knowledge and skills. Program-specific gender components that have been enhanced include: targeting and increasing women's participation in SO 6 natural resources activities; targeting both female and male roles in health in SO 1; including gender as a key component of the SO 10 early childhood education activities; and increasing gender inclusion, knowledge and awareness among partners in SO 8 food security activities.

Country Close and Graduation:

Results Framework

388-001 Fertility Reduced and Family Health Improved

SO Level Indicator(s):

National contraceptive prevalence rate

- 1.1 An expanded and improved package of health and family planning services available from NGOs
- 1.2 Changed behaviors related to high-priority health problems
- 1.3 Increased contraceptive prevalence and contraceptive security

388-003 Improved Representation of Interests of Women and the Rural Poor

388-005 Growth of Agribusiness and Small Business

SO Level Indicator(s):

Annual sales of USAID-assisted enterprises, disaggregated by domestic and export sales

- 5.1 More market-oriented policies, laws, and regulations adopted
- 5.2 Stronger business support institutions established
- 5.3 Improved performance of USAID-assisted enterprises in targeted sectors

388-006 Improved Management of Open Water and Tropical Forest Resources

SO Level Indicator(s):

Area of floodplain where sustainable management is implemented

- 6.1 Effective community-based resource management mechanisms implemented
- 6.2 Select habitats and ecosystems improved
- 6.3 Select policies implemented that support IRs 6.1 and 6.2

388-007 Improved Performance of the Energy Sector

SO Level Indicator(s):

Number of annual legal electricity connections increased

- 7.1 Increased institutional capacity through reform
- 7.2 Improved enabling environment
- 7.3 Improved infrastructure

388-008 Improved Food Security for Vulnerable Groups

SO Level Indicator(s):

Percent of households consuming minimum daily food requirement

- 8.1 Improved food security policies
- 8.2 Improved environmentally sound infrastructure in target areas
- 8.3 Improved disaster preparedness in target areas
- 8.4 Enhanced diversity in agriculture production in target areas

388-009 Strengthened Institutions of Democracy

SO Level Indicator(s):

TBD--PMP currently under review in Washington

- 9.1 A broad-based constituency for strong local government developed
- 9.2 Greater responsiveness of parliament to citizen input
- 9.3 More effective civil society advocacy of human rights

388-010 Improved Performance at the Early and Primary Education Levels through Innovative Learning Models

SO Level Indicator(s):

TBD--New SO

- 10.1 Effective early learning opportunities increased
- 10.2 Innovative learning tools for children and teachers developed and used
- 10.3 Capacity of selected institutions to foster education system change increased